

1 AN ACT relating to education.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 203 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)
7 Sec. 203. Base income defined.

8 (a) Individuals.

9 (1) In general. In the case of an individual, base
10 income means an amount equal to the taxpayer's adjusted
11 gross income for the taxable year as modified by
12 paragraph (2).

13 (2) Modifications. The adjusted gross income
14 referred to in paragraph (1) shall be modified by adding
15 thereto the sum of the following amounts:

16 (A) An amount equal to all amounts paid or
17 accrued to the taxpayer as interest or dividends
18 during the taxable year to the extent excluded from
19 gross income in the computation of adjusted gross
20 income, except stock dividends of qualified public
21 utilities described in Section 305(e) of the
22 Internal Revenue Code;

23 (B) An amount equal to the amount of tax
24 imposed by this Act to the extent deducted from
25 gross income in the computation of adjusted gross
26 income for the taxable year;

27 (C) An amount equal to the amount received
28 during the taxable year as a recovery or refund of
29 real property taxes paid with respect to the
30 taxpayer's principal residence under the Revenue Act
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)
2 prior to July 1, 1991, the retrospective application
3 date of Article 4 of Public Act 87-17. In the case
4 of multi-unit or multi-use structures and farm
5 dwellings, the taxes on the taxpayer's principal
6 residence shall be that portion of the total taxes
7 for the entire property which is attributable to
8 such principal residence;

9 (D) An amount equal to the amount of the
10 capital gain deduction allowable under the Internal
11 Revenue Code, to the extent deducted from gross
12 income in the computation of adjusted gross income;

13 (D-5) An amount, to the extent not included in
14 adjusted gross income, equal to the amount of money
15 withdrawn by the taxpayer in the taxable year from a
16 medical care savings account and the interest earned
17 on the account in the taxable year of a withdrawal
18 pursuant to subsection (b) of Section 20 of the
19 Medical Care Savings Account Act or subsection (b)
20 of Section 20 of the Medical Care Savings Account
21 Act of 2000; and

22 (D-10) For taxable years ending after December
23 31, 1997, an amount equal to any eligible
24 remediation costs that the individual deducted in
25 computing adjusted gross income and for which the
26 individual claims a credit under subsection (1) of
27 Section 201;

28 and by deducting from the total so obtained the sum of
29 the following amounts:

30 (E) Any amount included in such total in
31 respect of any compensation (including but not
32 limited to any compensation paid or accrued to a
33 serviceman while a prisoner of war or missing in
34 action) paid to a resident by reason of being on

1 active duty in the Armed Forces of the United States
2 and in respect of any compensation paid or accrued
3 to a resident who as a governmental employee was a
4 prisoner of war or missing in action, and in respect
5 of any compensation paid to a resident in 1971 or
6 thereafter for annual training performed pursuant to
7 Sections 502 and 503, Title 32, United States Code
8 as a member of the Illinois National Guard;

9 (F) An amount equal to all amounts included in
10 such total pursuant to the provisions of Sections
11 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
12 408 of the Internal Revenue Code, or included in
13 such total as distributions under the provisions of
14 any retirement or disability plan for employees of
15 any governmental agency or unit, or retirement
16 payments to retired partners, which payments are
17 excluded in computing net earnings from self
18 employment by Section 1402 of the Internal Revenue
19 Code and regulations adopted pursuant thereto;

20 (G) The valuation limitation amount;

21 (H) An amount equal to the amount of any tax
22 imposed by this Act which was refunded to the
23 taxpayer and included in such total for the taxable
24 year;

25 (I) An amount equal to all amounts included in
26 such total pursuant to the provisions of Section 111
27 of the Internal Revenue Code as a recovery of items
28 previously deducted from adjusted gross income in
29 the computation of taxable income;

30 (J) An amount equal to those dividends
31 included in such total which were paid by a
32 corporation which conducts business operations in an
33 Enterprise Zone or zones created under the Illinois
34 Enterprise Zone Act, and conducts substantially all

1 of its operations in an Enterprise Zone or zones;

2 (K) An amount equal to those dividends
3 included in such total that were paid by a
4 corporation that conducts business operations in a
5 federally designated Foreign Trade Zone or Sub-Zone
6 and that is designated a High Impact Business
7 located in Illinois; provided that dividends
8 eligible for the deduction provided in subparagraph
9 (J) of paragraph (2) of this subsection shall not be
10 eligible for the deduction provided under this
11 subparagraph (K);

12 (L) For taxable years ending after December
13 31, 1983, an amount equal to all social security
14 benefits and railroad retirement benefits included
15 in such total pursuant to Sections 72(r) and 86 of
16 the Internal Revenue Code;

17 (M) With the exception of any amounts
18 subtracted under subparagraph (N), an amount equal
19 to the sum of all amounts disallowed as deductions
20 by (i) Sections 171(a) (2), and 265(2) of the
21 Internal Revenue Code of 1954, as now or hereafter
22 amended, and all amounts of expenses allocable to
23 interest and disallowed as deductions by Section
24 265(1) of the Internal Revenue Code of 1954, as now
25 or hereafter amended; and (ii) for taxable years
26 ending on or after August 13, 1999, Sections
27 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
28 Internal Revenue Code; the provisions of this
29 subparagraph are exempt from the provisions of
30 Section 250;

31 (N) An amount equal to all amounts included in
32 such total which are exempt from taxation by this
33 State either by reason of its statutes or
34 Constitution or by reason of the Constitution,

1 treaties or statutes of the United States; provided
2 that, in the case of any statute of this State that
3 exempts income derived from bonds or other
4 obligations from the tax imposed under this Act, the
5 amount exempted shall be the interest net of bond
6 premium amortization;

7 (O) An amount equal to any contribution made
8 to a job training project established pursuant to
9 the Tax Increment Allocation Redevelopment Act;

10 (P) An amount equal to the amount of the
11 deduction used to compute the federal income tax
12 credit for restoration of substantial amounts held
13 under claim of right for the taxable year pursuant
14 to Section 1341 of the Internal Revenue Code of
15 1986;

16 (Q) An amount equal to any amounts included in
17 such total, received by the taxpayer as an
18 acceleration in the payment of life, endowment or
19 annuity benefits in advance of the time they would
20 otherwise be payable as an indemnity for a terminal
21 illness;

22 (R) An amount equal to the amount of any
23 federal or State bonus paid to veterans of the
24 Persian Gulf War;

25 (S) An amount, to the extent included in
26 adjusted gross income, equal to the amount of a
27 contribution made in the taxable year on behalf of
28 the taxpayer to a medical care savings account
29 established under the Medical Care Savings Account
30 Act or the Medical Care Savings Account Act of 2000
31 to the extent the contribution is accepted by the
32 account administrator as provided in that Act;

33 (T) An amount, to the extent included in
34 adjusted gross income, equal to the amount of

1 interest earned in the taxable year on a medical
2 care savings account established under the Medical
3 Care Savings Account Act or the Medical Care Savings
4 Account Act of 2000 on behalf of the taxpayer, other
5 than interest added pursuant to item (D-5) of this
6 paragraph (2);

7 (U) For one taxable year beginning on or after
8 January 1, 1994, an amount equal to the total amount
9 of tax imposed and paid under subsections (a) and
10 (b) of Section 201 of this Act on grant amounts
11 received by the taxpayer under the Nursing Home
12 Grant Assistance Act during the taxpayer's taxable
13 years 1992 and 1993;

14 (V) Beginning with tax years ending on or
15 after December 31, 1995 and ending with tax years
16 ending on or before December 31, 2004, an amount
17 equal to the amount paid by a taxpayer who is a
18 self-employed taxpayer, a partner of a partnership,
19 or a shareholder in a Subchapter S corporation for
20 health insurance or long-term care insurance for
21 that taxpayer or that taxpayer's spouse or
22 dependents, to the extent that the amount paid for
23 that health insurance or long-term care insurance
24 may be deducted under Section 213 of the Internal
25 Revenue Code of 1986, has not been deducted on the
26 federal income tax return of the taxpayer, and does
27 not exceed the taxable income attributable to that
28 taxpayer's income, self-employment income, or
29 Subchapter S corporation income; except that no
30 deduction shall be allowed under this item (V) if
31 the taxpayer is eligible to participate in any
32 health insurance or long-term care insurance plan of
33 an employer of the taxpayer or the taxpayer's
34 spouse. The amount of the health insurance and

1 long-term care insurance subtracted under this item
2 (V) shall be determined by multiplying total health
3 insurance and long-term care insurance premiums paid
4 by the taxpayer times a number that represents the
5 fractional percentage of eligible medical expenses
6 under Section 213 of the Internal Revenue Code of
7 1986 not actually deducted on the taxpayer's federal
8 income tax return;

9 (W) For taxable years beginning on or after
10 January 1, 1998, all amounts included in the
11 taxpayer's federal gross income in the taxable year
12 from amounts converted from a regular IRA to a Roth
13 IRA. This paragraph is exempt from the provisions of
14 Section 250; and

15 (X) For taxable year 1999 and thereafter, an
16 amount equal to the amount of any (i) distributions,
17 to the extent includible in gross income for federal
18 income tax purposes, made to the taxpayer because of
19 his or her status as a victim of persecution for
20 racial or religious reasons by Nazi Germany or any
21 other Axis regime or as an heir of the victim and
22 (ii) items of income, to the extent includible in
23 gross income for federal income tax purposes,
24 attributable to, derived from or in any way related
25 to assets stolen from, hidden from, or otherwise
26 lost to a victim of persecution for racial or
27 religious reasons by Nazi Germany or any other Axis
28 regime immediately prior to, during, and immediately
29 after World War II, including, but not limited to,
30 interest on the proceeds receivable as insurance
31 under policies issued to a victim of persecution for
32 racial or religious reasons by Nazi Germany or any
33 other Axis regime by European insurance companies
34 immediately prior to and during World War II;

1 provided, however, this subtraction from federal
2 adjusted gross income does not apply to assets
3 acquired with such assets or with the proceeds from
4 the sale of such assets; provided, further, this
5 paragraph shall only apply to a taxpayer who was the
6 first recipient of such assets after their recovery
7 and who is a victim of persecution for racial or
8 religious reasons by Nazi Germany or any other Axis
9 regime or as an heir of the victim. The amount of
10 and the eligibility for any public assistance,
11 benefit, or similar entitlement is not affected by
12 the inclusion of items (i) and (ii) of this
13 paragraph in gross income for federal income tax
14 purposes. This paragraph is exempt from the
15 provisions of Section 250; and

16 (Y) Beginning with taxable years ending on or
17 after December 31, 2001, \$500 for a person holding
18 a teaching certificate issued under the School Code
19 and employed as a teacher in a public school
20 district governed by the School Code.

21 (b) Corporations.

22 (1) In general. In the case of a corporation, base
23 income means an amount equal to the taxpayer's taxable
24 income for the taxable year as modified by paragraph (2).

25 (2) Modifications. The taxable income referred to
26 in paragraph (1) shall be modified by adding thereto the
27 sum of the following amounts:

28 (A) An amount equal to all amounts paid or
29 accrued to the taxpayer as interest and all
30 distributions received from regulated investment
31 companies during the taxable year to the extent
32 excluded from gross income in the computation of
33 taxable income;

34 (B) An amount equal to the amount of tax

1 imposed by this Act to the extent deducted from
2 gross income in the computation of taxable income
3 for the taxable year;

4 (C) In the case of a regulated investment
5 company, an amount equal to the excess of (i) the
6 net long-term capital gain for the taxable year,
7 over (ii) the amount of the capital gain dividends
8 designated as such in accordance with Section
9 852(b)(3)(C) of the Internal Revenue Code and any
10 amount designated under Section 852(b)(3)(D) of the
11 Internal Revenue Code, attributable to the taxable
12 year (this amendatory Act of 1995 (Public Act 89-89)
13 is declarative of existing law and is not a new
14 enactment);

15 (D) The amount of any net operating loss
16 deduction taken in arriving at taxable income, other
17 than a net operating loss carried forward from a
18 taxable year ending prior to December 31, 1986;

19 (E) For taxable years in which a net operating
20 loss carryback or carryforward from a taxable year
21 ending prior to December 31, 1986 is an element of
22 taxable income under paragraph (1) of subsection (e)
23 or subparagraph (E) of paragraph (2) of subsection
24 (e), the amount by which addition modifications
25 other than those provided by this subparagraph (E)
26 exceeded subtraction modifications in such earlier
27 taxable year, with the following limitations applied
28 in the order that they are listed:

29 (i) the addition modification relating to
30 the net operating loss carried back or forward
31 to the taxable year from any taxable year
32 ending prior to December 31, 1986 shall be
33 reduced by the amount of addition modification
34 under this subparagraph (E) which related to

1 that net operating loss and which was taken
2 into account in calculating the base income of
3 an earlier taxable year, and

4 (ii) the addition modification relating
5 to the net operating loss carried back or
6 forward to the taxable year from any taxable
7 year ending prior to December 31, 1986 shall
8 not exceed the amount of such carryback or
9 carryforward;

10 For taxable years in which there is a net
11 operating loss carryback or carryforward from more
12 than one other taxable year ending prior to December
13 31, 1986, the addition modification provided in this
14 subparagraph (E) shall be the sum of the amounts
15 computed independently under the preceding
16 provisions of this subparagraph (E) for each such
17 taxable year; and

18 (E-5) For taxable years ending after December
19 31, 1997, an amount equal to any eligible
20 remediation costs that the corporation deducted in
21 computing adjusted gross income and for which the
22 corporation claims a credit under subsection (l) of
23 Section 201;

24 and by deducting from the total so obtained the sum of
25 the following amounts:

26 (F) An amount equal to the amount of any tax
27 imposed by this Act which was refunded to the
28 taxpayer and included in such total for the taxable
29 year;

30 (G) An amount equal to any amount included in
31 such total under Section 78 of the Internal Revenue
32 Code;

33 (H) In the case of a regulated investment
34 company, an amount equal to the amount of exempt

1 interest dividends as defined in subsection (b) (5)
2 of Section 852 of the Internal Revenue Code, paid to
3 shareholders for the taxable year;

4 (I) With the exception of any amounts
5 subtracted under subparagraph (J), an amount equal
6 to the sum of all amounts disallowed as deductions
7 by (i) Sections 171(a) (2), and 265(a)(2) and
8 amounts disallowed as interest expense by Section
9 291(a)(3) of the Internal Revenue Code, as now or
10 hereafter amended, and all amounts of expenses
11 allocable to interest and disallowed as deductions
12 by Section 265(a)(1) of the Internal Revenue Code,
13 as now or hereafter amended; and (ii) for taxable
14 years ending on or after August 13, 1999, Sections
15 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
16 of the Internal Revenue Code; the provisions of this
17 subparagraph are exempt from the provisions of
18 Section 250;

19 (J) An amount equal to all amounts included in
20 such total which are exempt from taxation by this
21 State either by reason of its statutes or
22 Constitution or by reason of the Constitution,
23 treaties or statutes of the United States; provided
24 that, in the case of any statute of this State that
25 exempts income derived from bonds or other
26 obligations from the tax imposed under this Act, the
27 amount exempted shall be the interest net of bond
28 premium amortization;

29 (K) An amount equal to those dividends
30 included in such total which were paid by a
31 corporation which conducts business operations in an
32 Enterprise Zone or zones created under the Illinois
33 Enterprise Zone Act and conducts substantially all
34 of its operations in an Enterprise Zone or zones;

1 (L) An amount equal to those dividends
2 included in such total that were paid by a
3 corporation that conducts business operations in a
4 federally designated Foreign Trade Zone or Sub-Zone
5 and that is designated a High Impact Business
6 located in Illinois; provided that dividends
7 eligible for the deduction provided in subparagraph
8 (K) of paragraph 2 of this subsection shall not be
9 eligible for the deduction provided under this
10 subparagraph (L);

11 (M) For any taxpayer that is a financial
12 organization within the meaning of Section 304(c) of
13 this Act, an amount included in such total as
14 interest income from a loan or loans made by such
15 taxpayer to a borrower, to the extent that such a
16 loan is secured by property which is eligible for
17 the Enterprise Zone Investment Credit. To determine
18 the portion of a loan or loans that is secured by
19 property eligible for a Section 201(f) ~~201(h)~~
20 investment credit to the borrower, the entire
21 principal amount of the loan or loans between the
22 taxpayer and the borrower should be divided into the
23 basis of the Section 201(f) ~~201(h)~~ investment credit
24 property which secures the loan or loans, using for
25 this purpose the original basis of such property on
26 the date that it was placed in service in the
27 Enterprise Zone. The subtraction modification
28 available to taxpayer in any year under this
29 subsection shall be that portion of the total
30 interest paid by the borrower with respect to such
31 loan attributable to the eligible property as
32 calculated under the previous sentence;

33 (M-1) For any taxpayer that is a financial
34 organization within the meaning of Section 304(c) of

1 this Act, an amount included in such total as
2 interest income from a loan or loans made by such
3 taxpayer to a borrower, to the extent that such a
4 loan is secured by property which is eligible for
5 the High Impact Business Investment Credit. To
6 determine the portion of a loan or loans that is
7 secured by property eligible for a Section 201(h)
8 ~~201(i)~~ investment credit to the borrower, the entire
9 principal amount of the loan or loans between the
10 taxpayer and the borrower should be divided into the
11 basis of the Section 201(h) ~~201(i)~~ investment credit
12 property which secures the loan or loans, using for
13 this purpose the original basis of such property on
14 the date that it was placed in service in a
15 federally designated Foreign Trade Zone or Sub-Zone
16 located in Illinois. No taxpayer that is eligible
17 for the deduction provided in subparagraph (M) of
18 paragraph (2) of this subsection shall be eligible
19 for the deduction provided under this subparagraph
20 (M-1). The subtraction modification available to
21 taxpayers in any year under this subsection shall be
22 that portion of the total interest paid by the
23 borrower with respect to such loan attributable to
24 the eligible property as calculated under the
25 previous sentence;

26 (N) Two times any contribution made during the
27 taxable year to a designated zone organization to
28 the extent that the contribution (i) qualifies as a
29 charitable contribution under subsection (c) of
30 Section 170 of the Internal Revenue Code and (ii)
31 must, by its terms, be used for a project approved
32 by the Department of Commerce and Community Affairs
33 under Section 11 of the Illinois Enterprise Zone
34 Act;

1 (O) An amount equal to: (i) 85% for taxable
2 years ending on or before December 31, 1992, or, a
3 percentage equal to the percentage allowable under
4 Section 243(a)(1) of the Internal Revenue Code of
5 1986 for taxable years ending after December 31,
6 1992, of the amount by which dividends included in
7 taxable income and received from a corporation that
8 is not created or organized under the laws of the
9 United States or any state or political subdivision
10 thereof, including, for taxable years ending on or
11 after December 31, 1988, dividends received or
12 deemed received or paid or deemed paid under
13 Sections 951 through 964 of the Internal Revenue
14 Code, exceed the amount of the modification provided
15 under subparagraph (G) of paragraph (2) of this
16 subsection (b) which is related to such dividends;
17 plus (ii) 100% of the amount by which dividends,
18 included in taxable income and received, including,
19 for taxable years ending on or after December 31,
20 1988, dividends received or deemed received or paid
21 or deemed paid under Sections 951 through 964 of the
22 Internal Revenue Code, from any such corporation
23 specified in clause (i) that would but for the
24 provisions of Section 1504 (b) (3) of the Internal
25 Revenue Code be treated as a member of the
26 affiliated group which includes the dividend
27 recipient, exceed the amount of the modification
28 provided under subparagraph (G) of paragraph (2) of
29 this subsection (b) which is related to such
30 dividends;

31 (P) An amount equal to any contribution made
32 to a job training project established pursuant to
33 the Tax Increment Allocation Redevelopment Act;

34 (Q) An amount equal to the amount of the

1 deduction used to compute the federal income tax
2 credit for restoration of substantial amounts held
3 under claim of right for the taxable year pursuant
4 to Section 1341 of the Internal Revenue Code of
5 1986;

6 (R) In the case of an attorney-in-fact with
7 respect to whom an interinsurer or a reciprocal
8 insurer has made the election under Section 835 of
9 the Internal Revenue Code, 26 U.S.C. 835, an amount
10 equal to the excess, if any, of the amounts paid or
11 incurred by that interinsurer or reciprocal insurer
12 in the taxable year to the attorney-in-fact over the
13 deduction allowed to that interinsurer or reciprocal
14 insurer with respect to the attorney-in-fact under
15 Section 835(b) of the Internal Revenue Code for the
16 taxable year; and

17 (S) For taxable years ending on or after
18 December 31, 1997, in the case of a Subchapter S
19 corporation, an amount equal to all amounts of
20 income allocable to a shareholder subject to the
21 Personal Property Tax Replacement Income Tax imposed
22 by subsections (c) and (d) of Section 201 of this
23 Act, including amounts allocable to organizations
24 exempt from federal income tax by reason of Section
25 501(a) of the Internal Revenue Code. This
26 subparagraph (S) is exempt from the provisions of
27 Section 250.

28 (3) Special rule. For purposes of paragraph (2)
29 (A), "gross income" in the case of a life insurance
30 company, for tax years ending on and after December 31,
31 1994, shall mean the gross investment income for the
32 taxable year.

33 (c) Trusts and estates.

34 (1) In general. In the case of a trust or estate,

1 base income means an amount equal to the taxpayer's
2 taxable income for the taxable year as modified by
3 paragraph (2).

4 (2) Modifications. Subject to the provisions of
5 paragraph (3), the taxable income referred to in
6 paragraph (1) shall be modified by adding thereto the sum
7 of the following amounts:

8 (A) An amount equal to all amounts paid or
9 accrued to the taxpayer as interest or dividends
10 during the taxable year to the extent excluded from
11 gross income in the computation of taxable income;

12 (B) In the case of (i) an estate, \$600; (ii) a
13 trust which, under its governing instrument, is
14 required to distribute all of its income currently,
15 \$300; and (iii) any other trust, \$100, but in each
16 such case, only to the extent such amount was
17 deducted in the computation of taxable income;

18 (C) An amount equal to the amount of tax
19 imposed by this Act to the extent deducted from
20 gross income in the computation of taxable income
21 for the taxable year;

22 (D) The amount of any net operating loss
23 deduction taken in arriving at taxable income, other
24 than a net operating loss carried forward from a
25 taxable year ending prior to December 31, 1986;

26 (E) For taxable years in which a net operating
27 loss carryback or carryforward from a taxable year
28 ending prior to December 31, 1986 is an element of
29 taxable income under paragraph (1) of subsection (e)
30 or subparagraph (E) of paragraph (2) of subsection
31 (e), the amount by which addition modifications
32 other than those provided by this subparagraph (E)
33 exceeded subtraction modifications in such taxable
34 year, with the following limitations applied in the

1 order that they are listed:

2 (i) the addition modification relating to
3 the net operating loss carried back or forward
4 to the taxable year from any taxable year
5 ending prior to December 31, 1986 shall be
6 reduced by the amount of addition modification
7 under this subparagraph (E) which related to
8 that net operating loss and which was taken
9 into account in calculating the base income of
10 an earlier taxable year, and

11 (ii) the addition modification relating
12 to the net operating loss carried back or
13 forward to the taxable year from any taxable
14 year ending prior to December 31, 1986 shall
15 not exceed the amount of such carryback or
16 carryforward;

17 For taxable years in which there is a net
18 operating loss carryback or carryforward from more
19 than one other taxable year ending prior to December
20 31, 1986, the addition modification provided in this
21 subparagraph (E) shall be the sum of the amounts
22 computed independently under the preceding
23 provisions of this subparagraph (E) for each such
24 taxable year;

25 (F) For taxable years ending on or after
26 January 1, 1989, an amount equal to the tax deducted
27 pursuant to Section 164 of the Internal Revenue Code
28 if the trust or estate is claiming the same tax for
29 purposes of the Illinois foreign tax credit under
30 Section 601 of this Act;

31 (G) An amount equal to the amount of the
32 capital gain deduction allowable under the Internal
33 Revenue Code, to the extent deducted from gross
34 income in the computation of taxable income; and

1 (G-5) For taxable years ending after December
2 31, 1997, an amount equal to any eligible
3 remediation costs that the trust or estate deducted
4 in computing adjusted gross income and for which the
5 trust or estate claims a credit under subsection (l)
6 of Section 201;

7 and by deducting from the total so obtained the sum of
8 the following amounts:

9 (H) An amount equal to all amounts included in
10 such total pursuant to the provisions of Sections
11 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and
12 408 of the Internal Revenue Code or included in such
13 total as distributions under the provisions of any
14 retirement or disability plan for employees of any
15 governmental agency or unit, or retirement payments
16 to retired partners, which payments are excluded in
17 computing net earnings from self employment by
18 Section 1402 of the Internal Revenue Code and
19 regulations adopted pursuant thereto;

20 (I) The valuation limitation amount;

21 (J) An amount equal to the amount of any tax
22 imposed by this Act which was refunded to the
23 taxpayer and included in such total for the taxable
24 year;

25 (K) An amount equal to all amounts included in
26 taxable income as modified by subparagraphs (A),
27 (B), (C), (D), (E), (F) and (G) which are exempt
28 from taxation by this State either by reason of its
29 statutes or Constitution or by reason of the
30 Constitution, treaties or statutes of the United
31 States; provided that, in the case of any statute of
32 this State that exempts income derived from bonds or
33 other obligations from the tax imposed under this
34 Act, the amount exempted shall be the interest net

1 of bond premium amortization;

2 (L) With the exception of any amounts
3 subtracted under subparagraph (K), an amount equal
4 to the sum of all amounts disallowed as deductions
5 by (i) Sections 171(a) (2) and 265(a)(2) of the
6 Internal Revenue Code, as now or hereafter amended,
7 and all amounts of expenses allocable to interest
8 and disallowed as deductions by Section 265(1) of
9 the Internal Revenue Code of 1954, as now or
10 hereafter amended; and (ii) for taxable years ending
11 on or after August 13, 1999, Sections 171(a)(2),
12 265, 280C, and 832(b)(5)(B)(i) of the Internal
13 Revenue Code; the provisions of this subparagraph
14 are exempt from the provisions of Section 250;

15 (M) An amount equal to those dividends
16 included in such total which were paid by a
17 corporation which conducts business operations in an
18 Enterprise Zone or zones created under the Illinois
19 Enterprise Zone Act and conducts substantially all
20 of its operations in an Enterprise Zone or Zones;

21 (N) An amount equal to any contribution made
22 to a job training project established pursuant to
23 the Tax Increment Allocation Redevelopment Act;

24 (O) An amount equal to those dividends
25 included in such total that were paid by a
26 corporation that conducts business operations in a
27 federally designated Foreign Trade Zone or Sub-Zone
28 and that is designated a High Impact Business
29 located in Illinois; provided that dividends
30 eligible for the deduction provided in subparagraph
31 (M) of paragraph (2) of this subsection shall not be
32 eligible for the deduction provided under this
33 subparagraph (O);

34 (P) An amount equal to the amount of the

1 deduction used to compute the federal income tax
2 credit for restoration of substantial amounts held
3 under claim of right for the taxable year pursuant
4 to Section 1341 of the Internal Revenue Code of
5 1986; and

6 (Q) For taxable year 1999 and thereafter, an
7 amount equal to the amount of any (i) distributions,
8 to the extent includible in gross income for federal
9 income tax purposes, made to the taxpayer because of
10 his or her status as a victim of persecution for
11 racial or religious reasons by Nazi Germany or any
12 other Axis regime or as an heir of the victim and
13 (ii) items of income, to the extent includible in
14 gross income for federal income tax purposes,
15 attributable to, derived from or in any way related
16 to assets stolen from, hidden from, or otherwise
17 lost to a victim of persecution for racial or
18 religious reasons by Nazi Germany or any other Axis
19 regime immediately prior to, during, and immediately
20 after World War II, including, but not limited to,
21 interest on the proceeds receivable as insurance
22 under policies issued to a victim of persecution for
23 racial or religious reasons by Nazi Germany or any
24 other Axis regime by European insurance companies
25 immediately prior to and during World War II;
26 provided, however, this subtraction from federal
27 adjusted gross income does not apply to assets
28 acquired with such assets or with the proceeds from
29 the sale of such assets; provided, further, this
30 paragraph shall only apply to a taxpayer who was the
31 first recipient of such assets after their recovery
32 and who is a victim of persecution for racial or
33 religious reasons by Nazi Germany or any other Axis
34 regime or as an heir of the victim. The amount of

1 and the eligibility for any public assistance,
2 benefit, or similar entitlement is not affected by
3 the inclusion of items (i) and (ii) of this
4 paragraph in gross income for federal income tax
5 purposes. This paragraph is exempt from the
6 provisions of Section 250.

7 (3) Limitation. The amount of any modification
8 otherwise required under this subsection shall, under
9 regulations prescribed by the Department, be adjusted by
10 any amounts included therein which were properly paid,
11 credited, or required to be distributed, or permanently
12 set aside for charitable purposes pursuant to Internal
13 Revenue Code Section 642(c) during the taxable year.

14 (d) Partnerships.

15 (1) In general. In the case of a partnership, base
16 income means an amount equal to the taxpayer's taxable
17 income for the taxable year as modified by paragraph (2).

18 (2) Modifications. The taxable income referred to
19 in paragraph (1) shall be modified by adding thereto the
20 sum of the following amounts:

21 (A) An amount equal to all amounts paid or
22 accrued to the taxpayer as interest or dividends
23 during the taxable year to the extent excluded from
24 gross income in the computation of taxable income;

25 (B) An amount equal to the amount of tax
26 imposed by this Act to the extent deducted from
27 gross income for the taxable year;

28 (C) The amount of deductions allowed to the
29 partnership pursuant to Section 707 (c) of the
30 Internal Revenue Code in calculating its taxable
31 income; and

32 (D) An amount equal to the amount of the
33 capital gain deduction allowable under the Internal
34 Revenue Code, to the extent deducted from gross

1 income in the computation of taxable income;
2 and by deducting from the total so obtained the following
3 amounts:

4 (E) The valuation limitation amount;

5 (F) An amount equal to the amount of any tax
6 imposed by this Act which was refunded to the
7 taxpayer and included in such total for the taxable
8 year;

9 (G) An amount equal to all amounts included in
10 taxable income as modified by subparagraphs (A),
11 (B), (C) and (D) which are exempt from taxation by
12 this State either by reason of its statutes or
13 Constitution or by reason of the Constitution,
14 treaties or statutes of the United States; provided
15 that, in the case of any statute of this State that
16 exempts income derived from bonds or other
17 obligations from the tax imposed under this Act, the
18 amount exempted shall be the interest net of bond
19 premium amortization;

20 (H) Any income of the partnership which
21 constitutes personal service income as defined in
22 Section 1348 (b) (1) of the Internal Revenue Code
23 (as in effect December 31, 1981) or a reasonable
24 allowance for compensation paid or accrued for
25 services rendered by partners to the partnership,
26 whichever is greater;

27 (I) An amount equal to all amounts of income
28 distributable to an entity subject to the Personal
29 Property Tax Replacement Income Tax imposed by
30 subsections (c) and (d) of Section 201 of this Act
31 including amounts distributable to organizations
32 exempt from federal income tax by reason of Section
33 501(a) of the Internal Revenue Code;

34 (J) With the exception of any amounts

1 subtracted under subparagraph (G), an amount equal
2 to the sum of all amounts disallowed as deductions
3 by (i) Sections 171(a) (2), and 265(2) of the
4 Internal Revenue Code of 1954, as now or hereafter
5 amended, and all amounts of expenses allocable to
6 interest and disallowed as deductions by Section
7 265(1) of the Internal Revenue Code, as now or
8 hereafter amended; and (ii) for taxable years ending
9 on or after August 13, 1999, Sections 171(a)(2),
10 265, 280C, and 832(b)(5)(B)(i) of the Internal
11 Revenue Code; the provisions of this subparagraph
12 are exempt from the provisions of Section 250;

13 (K) An amount equal to those dividends
14 included in such total which were paid by a
15 corporation which conducts business operations in an
16 Enterprise Zone or zones created under the Illinois
17 Enterprise Zone Act, enacted by the 82nd General
18 Assembly, and which does not conduct such operations
19 other than in an Enterprise Zone or Zones;

20 (L) An amount equal to any contribution made
21 to a job training project established pursuant to
22 the Real Property Tax Increment Allocation
23 Redevelopment Act;

24 (M) An amount equal to those dividends
25 included in such total that were paid by a
26 corporation that conducts business operations in a
27 federally designated Foreign Trade Zone or Sub-Zone
28 and that is designated a High Impact Business
29 located in Illinois; provided that dividends
30 eligible for the deduction provided in subparagraph
31 (K) of paragraph (2) of this subsection shall not be
32 eligible for the deduction provided under this
33 subparagraph (M); and

34 (N) An amount equal to the amount of the

1 deduction used to compute the federal income tax
2 credit for restoration of substantial amounts held
3 under claim of right for the taxable year pursuant
4 to Section 1341 of the Internal Revenue Code of
5 1986.

6 (e) Gross income; adjusted gross income; taxable income.

7 (1) In general. Subject to the provisions of
8 paragraph (2) and subsection (b) (3), for purposes of
9 this Section and Section 803(e), a taxpayer's gross
10 income, adjusted gross income, or taxable income for the
11 taxable year shall mean the amount of gross income,
12 adjusted gross income or taxable income properly
13 reportable for federal income tax purposes for the
14 taxable year under the provisions of the Internal Revenue
15 Code. Taxable income may be less than zero. However, for
16 taxable years ending on or after December 31, 1986, net
17 operating loss carryforwards from taxable years ending
18 prior to December 31, 1986, may not exceed the sum of
19 federal taxable income for the taxable year before net
20 operating loss deduction, plus the excess of addition
21 modifications over subtraction modifications for the
22 taxable year. For taxable years ending prior to December
23 31, 1986, taxable income may never be an amount in excess
24 of the net operating loss for the taxable year as defined
25 in subsections (c) and (d) of Section 172 of the Internal
26 Revenue Code, provided that when taxable income of a
27 corporation (other than a Subchapter S corporation),
28 trust, or estate is less than zero and addition
29 modifications, other than those provided by subparagraph
30 (E) of paragraph (2) of subsection (b) for corporations
31 or subparagraph (E) of paragraph (2) of subsection (c)
32 for trusts and estates, exceed subtraction modifications,
33 an addition modification must be made under those
34 subparagraphs for any other taxable year to which the

1 taxable income less than zero (net operating loss) is
2 applied under Section 172 of the Internal Revenue Code or
3 under subparagraph (E) of paragraph (2) of this
4 subsection (e) applied in conjunction with Section 172 of
5 the Internal Revenue Code.

6 (2) Special rule. For purposes of paragraph (1) of
7 this subsection, the taxable income properly reportable
8 for federal income tax purposes shall mean:

9 (A) Certain life insurance companies. In the
10 case of a life insurance company subject to the tax
11 imposed by Section 801 of the Internal Revenue Code,
12 life insurance company taxable income, plus the
13 amount of distribution from pre-1984 policyholder
14 surplus accounts as calculated under Section 815a of
15 the Internal Revenue Code;

16 (B) Certain other insurance companies. In the
17 case of mutual insurance companies subject to the
18 tax imposed by Section 831 of the Internal Revenue
19 Code, insurance company taxable income;

20 (C) Regulated investment companies. In the
21 case of a regulated investment company subject to
22 the tax imposed by Section 852 of the Internal
23 Revenue Code, investment company taxable income;

24 (D) Real estate investment trusts. In the
25 case of a real estate investment trust subject to
26 the tax imposed by Section 857 of the Internal
27 Revenue Code, real estate investment trust taxable
28 income;

29 (E) Consolidated corporations. In the case of
30 a corporation which is a member of an affiliated
31 group of corporations filing a consolidated income
32 tax return for the taxable year for federal income
33 tax purposes, taxable income determined as if such
34 corporation had filed a separate return for federal

1 income tax purposes for the taxable year and each
2 preceding taxable year for which it was a member of
3 an affiliated group. For purposes of this
4 subparagraph, the taxpayer's separate taxable income
5 shall be determined as if the election provided by
6 Section 243(b) (2) of the Internal Revenue Code had
7 been in effect for all such years;

8 (F) Cooperatives. In the case of a
9 cooperative corporation or association, the taxable
10 income of such organization determined in accordance
11 with the provisions of Section 1381 through 1388 of
12 the Internal Revenue Code;

13 (G) Subchapter S corporations. In the case
14 of: (i) a Subchapter S corporation for which there
15 is in effect an election for the taxable year under
16 Section 1362 of the Internal Revenue Code, the
17 taxable income of such corporation determined in
18 accordance with Section 1363(b) of the Internal
19 Revenue Code, except that taxable income shall take
20 into account those items which are required by
21 Section 1363(b)(1) of the Internal Revenue Code to
22 be separately stated; and (ii) a Subchapter S
23 corporation for which there is in effect a federal
24 election to opt out of the provisions of the
25 Subchapter S Revision Act of 1982 and have applied
26 instead the prior federal Subchapter S rules as in
27 effect on July 1, 1982, the taxable income of such
28 corporation determined in accordance with the
29 federal Subchapter S rules as in effect on July 1,
30 1982; and

31 (H) Partnerships. In the case of a
32 partnership, taxable income determined in accordance
33 with Section 703 of the Internal Revenue Code,
34 except that taxable income shall take into account

1 those items which are required by Section 703(a)(1)
2 to be separately stated but which would be taken
3 into account by an individual in calculating his
4 taxable income.

5 (f) Valuation limitation amount.

6 (1) In general. The valuation limitation amount
7 referred to in subsections (a) (2) (G), (c) (2) (I) and
8 (d)(2) (E) is an amount equal to:

9 (A) The sum of the pre-August 1, 1969
10 appreciation amounts (to the extent consisting of
11 gain reportable under the provisions of Section 1245
12 or 1250 of the Internal Revenue Code) for all
13 property in respect of which such gain was reported
14 for the taxable year; plus

15 (B) The lesser of (i) the sum of the
16 pre-August 1, 1969 appreciation amounts (to the
17 extent consisting of capital gain) for all property
18 in respect of which such gain was reported for
19 federal income tax purposes for the taxable year, or
20 (ii) the net capital gain for the taxable year,
21 reduced in either case by any amount of such gain
22 included in the amount determined under subsection
23 (a) (2) (F) or (c) (2) (H).

24 (2) Pre-August 1, 1969 appreciation amount.

25 (A) If the fair market value of property
26 referred to in paragraph (1) was readily
27 ascertainable on August 1, 1969, the pre-August 1,
28 1969 appreciation amount for such property is the
29 lesser of (i) the excess of such fair market value
30 over the taxpayer's basis (for determining gain) for
31 such property on that date (determined under the
32 Internal Revenue Code as in effect on that date), or
33 (ii) the total gain realized and reportable for
34 federal income tax purposes in respect of the sale,

1 exchange or other disposition of such property.

2 (B) If the fair market value of property
3 referred to in paragraph (1) was not readily
4 ascertainable on August 1, 1969, the pre-August 1,
5 1969 appreciation amount for such property is that
6 amount which bears the same ratio to the total gain
7 reported in respect of the property for federal
8 income tax purposes for the taxable year, as the
9 number of full calendar months in that part of the
10 taxpayer's holding period for the property ending
11 July 31, 1969 bears to the number of full calendar
12 months in the taxpayer's entire holding period for
13 the property.

14 (C) The Department shall prescribe such
15 regulations as may be necessary to carry out the
16 purposes of this paragraph.

17 (g) Double deductions. Unless specifically provided
18 otherwise, nothing in this Section shall permit the same item
19 to be deducted more than once.

20 (h) Legislative intention. Except as expressly provided
21 by this Section there shall be no modifications or
22 limitations on the amounts of income, gain, loss or deduction
23 taken into account in determining gross income, adjusted
24 gross income or taxable income for federal income tax
25 purposes for the taxable year, or in the amount of such items
26 entering into the computation of base income and net income
27 under this Act for such taxable year, whether in respect of
28 property values as of August 1, 1969 or otherwise.

29 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;
30 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.
31 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,
32 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;
33 revised 1-15-01.)

1 Section 10. The Higher Education Student Assistance Act
2 is amended by changing Section 65.25 as follows:

3 (110 ILCS 947/65.25)

4 Sec. 65.25. Teacher shortage scholarships; loan
5 forgiveness.

6 (a) The Commission may annually award a number of
7 scholarships to persons preparing to teach in areas of
8 identified staff shortages. Such scholarships shall be
9 issued to individuals who make application to the Commission
10 and who agree to take courses at qualified institutions of
11 higher learning which will prepare them to teach in areas of
12 identified staff shortages.

13 (b) Scholarships awarded under this Section shall be
14 issued pursuant to regulations promulgated by the Commission;
15 provided that no rule or regulation promulgated by the State
16 Board of Education prior to the effective date of this
17 amendatory Act of 1993 pursuant to the exercise of any right,
18 power, duty, responsibility or matter of pending business
19 transferred from the State Board of Education to the
20 Commission under this Section shall be affected thereby, and
21 all such rules and regulations shall become the rules and
22 regulations of the Commission until modified or changed by
23 the Commission in accordance with law. The Commission shall
24 allocate the scholarships awarded between persons initially
25 preparing to teach, persons holding valid teaching
26 certificates issued under Articles 21 and 34 of the School
27 Code, and persons holding a bachelor's degree from any
28 accredited college or university who have been employed for a
29 minimum of 10 years in a field other than teaching.

30 (c) Each scholarship shall be utilized by its holder for
31 the payment of tuition and non-revenue bond fees at any
32 qualified institution of higher learning. Such tuition and
33 fees shall be available only for courses that will enable the

1 individual to be certified to teach in areas of identified
2 staff shortages. The Commission shall determine which
3 courses are eligible for tuition payments under this Section.

4 (d) The Commission may make tuition payments directly to
5 the qualified institution of higher learning which the
6 individual attends for the courses prescribed or may make
7 payments to the teacher. Any teacher who received payments
8 and who fails to enroll in the courses prescribed shall
9 refund the payments to the Commission.

10 (e) Following the completion of the program of study,
11 persons who held valid teaching certificates and persons
12 holding a bachelor's degree from any accredited college or
13 university who have been employed for a minimum of 10 years
14 in a field other than teaching prior to receiving a teacher
15 shortage scholarship must accept employment within 2 years in
16 a school in Illinois within 60 miles of the person's
17 residence to teach in an area of identified staff shortage
18 for a period of at least 3 years; provided, however that any
19 such person instead may elect to accept employment within
20 such 2 year period to teach in an area of identified staff
21 shortage for a period of at least 3 years in a school in
22 Illinois which is more than 60 miles from such person's
23 residence. Persons initially preparing to teach prior to
24 receiving a teacher shortage scholarship must accept
25 employment within 2 years in a school in Illinois to teach in
26 an area of identified staff shortage for a period of at least
27 3 years. Individuals who fail to comply with this provision
28 shall refund all of the scholarships awarded to the
29 Commission, whether payments were made directly to the
30 institutions of higher learning or to the individuals, and
31 this condition shall be agreed to in writing by all
32 scholarship recipients at the time the scholarship is
33 awarded. No individual shall be required to refund tuition
34 payments if his or her failure to obtain employment as a

1 teacher in a school is the result of financial conditions
2 within school districts. The rules and regulations
3 promulgated as provided in this Section shall contain
4 provisions regarding the waiving and deferral of such
5 payments.

6 (f) The Commission, with the cooperation of the State
7 Board of Education, shall assist individuals who have
8 participated in the scholarship program established by this
9 Section in finding employment in areas of identified staff
10 shortages.

11 (g) Beginning in September, 1994 and annually
12 thereafter, the Commission, using data annually supplied by
13 the State Board of Education under procedures developed by it
14 to measure the level of shortage of qualified bilingual
15 personnel serving students with disabilities, shall annually
16 publish (i) the level of shortage of qualified bilingual
17 personnel serving students with disabilities, and (ii)
18 allocations of scholarships for personnel preparation
19 training programs in the areas of bilingual special education
20 teacher training and bilingual school service personnel.

21 (h) Appropriations for the scholarships outlined in this
22 Section shall be made to the Commission from funds
23 appropriated by the General Assembly. The Commission shall
24 request an appropriation each year to sufficiently fund at
25 least 25 scholarships.

26 (i) This Section is substantially the same as Section
27 30-4c of the School Code, which Section is repealed by this
28 amendatory Act of 1993, and shall be construed as a
29 continuation of the teacher shortage scholarship program
30 established under that prior law, and not as a new or
31 different teacher shortage scholarship program. The State
32 Board of Education shall transfer to the Commission, as the
33 successor to the State Board of Education for all purposes of
34 administering and implementing the provisions of this

1 Section, all books, accounts, records, papers, documents,
2 contracts, agreements, and pending business in any way
3 relating to the teacher shortage scholarship program
4 continued under this Section; and all scholarships at any
5 time awarded under that program by, and all applications for
6 any such scholarships at any time made to, the State Board of
7 Education shall be unaffected by the transfer to the
8 Commission of all responsibility for the administration and
9 implementation of the teacher shortage scholarship program
10 continued under this Section. The State Board of Education
11 shall furnish to the Commission such other information as the
12 Commission may request to assist it in administering this
13 Section.

14 (i-5) The Commission shall establish a loan forgiveness
15 program in which 15% of a person's student loans are forgiven
16 by teaching in a public school in this State in an area of
17 identified staff shortage for a period of one year, with an
18 additional 5% in loan forgiveness for each year thereafter.
19 However, the maximum rate of loan forgiveness per person
20 under this program may not exceed 30%.

21 (j) For the purposes of this Section:

22 "Qualified institution of higher learning" means the
23 University of Illinois, Southern Illinois University, Chicago
24 State University, Eastern Illinois University, Governors
25 State University, Illinois State University, Northeastern
26 Illinois University, Northern Illinois University, Western
27 Illinois University, the public community colleges subject to
28 the Public Community College Act and any Illinois privately
29 operated college, community college or university offering
30 degrees and instructional programs above the high school
31 level either in residence or by correspondence. The Board of
32 Higher Education and the Commission, in consultation with the
33 State Board of Education, shall identify qualified
34 institutions to supply the demand for bilingual special

1 education teachers and bilingual school service personnel.

2 "Areas of identified staff shortages" means courses of
3 study in which the number of teachers is insufficient to meet
4 student or school district demand for such instruction as
5 determined by the State Board of Education.

6 (Source: P.A. 88-228; 89-4, eff. 1-1-96.)

7 Section 99. Effective date. This Act takes effect on
8 July 1, 2001.